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Urban Renewal—Part 1

Flood Area Planning and Redevelopment

The floods that hit New England in 1954 and 1955 were the most destructive ones in the region's history. Flood waters brought death to 150 persons and destroyed over $670 million of property in southern New England. But in one respect these floods were extremely helpful. In the process of rebuilding, many flood-prone communities have come to realize that they can benefit from the Federal urban renewal program. They have also found that they need building codes, subdivision regulations, zoning ordinances and over-all planning. As a result, there is more general interest in city and town planning in New England today than ever before in our history.

New England's cities were built in an era when the horse provided the principal means of transportation and when the falling waters of rivers and streams were industry's prime power sources. Factories were built on the banks of these waterways and commercial centers and factory housing rose close by. The result was

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dense communities where working families walked to work, to stores, to church, to taverns, to schools, and to the railroad station. Although these mill cities have always been crowded and vulnerable to flooding, all things considered, they were well laid out to serve the needs of the 19th century.

But what was reasonably satisfactory 50 or even 25 years ago has proved to be entirely inadequate in recent years. Higher incomes, improved truck transportation, mass use of the private automobile, and modern industrial technology have created a demand for better housing, better municipal services, more diversified commercial centers, more spacious industrial sites, and better traffic circulation. The older cities have not been rebuilt to supply these needs. Rather, new industrial, commercial, and residential investment has been channelled into the suburbs of the larger metropolitan areas, while the smaller cities and central cities have stagnated.

Federal and State Assistance

The Federal Government has long had a program for building flood control dams and local protection dikes, but only in recent years has it assisted in planning and development of areas subject to flooding. By themselves, flood control structures can be only partially effective in eliminating flood damage. Seldom is 100 per cent protection economically justified, and in many areas no flood control structures can be justified. Furthermore, no matter how many settlements are protected, new homes, stores, and other buildings spring up on unprotected flood plains about as fast as other areas receive protection. For these reasons planning authorities have recommended for years that flood zoning and flood plain redevelopment be tied in with Federal flood control.[1]

The Federal Government is now providing funds for flood area planning and redevelopment under its urban renewal program for blighted areas. This program involves land assembly by condemnation, destruction of all substandard buildings and the resale of sites for redevelopment to private builders. The Federal share is two-thirds of the net cost provided the area is or will be predominantly residential. The government will also pay for one-half the cost of overall planning studies for communities with a population of less than 25,000.

This program applies to urban renewal in general, and the provisions are more liberal for communities redeveloping after a flood or other catastrophe. The community size limitation on planning aid does not apply for these cities, and urban renewal projects are not restricted to areas predominantly residential.

State flood assistance in New England was increased after the disasters of 1954 and 1955. The Rhode Island Development Council obtained Federal financial assistance for a regional planning study of the Rhode Island shore after the 1954 hurricane tidal floods. As a result of the study, the Council has promoted tidal flood zoning by offering free technical assistance to all shore communities considering such ordinances.

In Connecticut there was a great demand after the 1955 floods that "something be done." To meet these demands the Governor's Flood Recovery Committee and the state legislature developed an ambitious program to diminish future flood damage and assist in community redevelopment.

Under this program, the state provided aid by replacing local bridges damaged by floods, by matching the 50 per cent Federal grant for community planning, and by paying up to one-half of the community's share of the cost of a Federal urban renewal project in a flood-damaged area. The state is now establishing encroachment lines along streams beyond which no obstruction can be placed without authorization. It is also building numerous local flood control projects not undertaken by the Federal government.

Progress in Redevelopment

About 30 flood-prone cities and towns in Massachusetts, Connecticut, and Rhode Island have obtained professional assistance for overall planning, and 16 communities are developing 23 flood redevelopment projects. Many different private and public agencies are co-operating in the ventures. New stores, schools, roads, flood control dams and dikes, industrial plants, parks, gasoline stations, sewers, houses, bridges, and municipal buildings are planned in the same area at the same time. It is the job of the planner to co-ordinate these diverse activities so that some type of rational land use pattern emerges. What are these flood redevelopment projects accomplishing in New England?

Housing

Most of the factory housing in New England's older mill cities does not measure up to modern

This is the first of a series of articles on problems of urban renewal in New England. Subsequent articles will cover other causes of urban blight and problems in community planning for future business, residential, and public needs.

[1] See "Planning for Floods in New England—State and Local Responsibility," *Monthly Review*, Federal Reserve Bank of Boston, February 1956.

minimum standards, though only a minority are substandard to the extent of lacking a private bath or lacking hot running water or other minimum requirements. But most of them, located in very crowded sections, are mixed in with so much industrial, transportation, and commercial activity that they can be classed as undesirable. Owners are reluctant to spend money on renovation for such property, and the housing gradually deteriorates, becoming a refuge for families who cannot or will not pay for better housing.

In all of the 16 flood redevelopment projects in New England communities are clearing the renewal areas of undesirable buildings and are relocating families and business tenants. With one exception no residential re-use is being permitted because many of the areas will be flood-prone even after all economically justifiable flood control structures are built. Project areas that will not be subject to flooding are generally in the central portion of cities and towns where land is more valuable for commercial and public purposes. The exception is Ansonia, where seven flood-prone acres will be filled in to provide a safe site for a 165-unit public housing project.

Municipal Improvements

Flood redevelopment projects are creating space for civic improvements. Putnam, Connecticut, is reserving a tract of land for a municipal building and civic center. Beacon Falls intends to place a municipal sewage treatment plant in one of its renewal areas. Windsor and Seymour, Connecticut, are including flood-prone land in the grounds surrounding their public schools. North Adams in Massachusetts, and Farmington, Norwalk, Killingly, Putnam, Naugatuck and East Granby in Connecticut are planning to develop town parks on land which is subject to flooding.

The East Granby project is on the site of what was once a large summer colony. The colony deteriorated over the years and many of the summer cottages became makeshift year-round homes. When the flood arrived in August 1955, nearly all of the 107 buildings were inundated and 85 were destroyed. To prevent further deterioration of housing conditions, the entire flood plain at this location will be cleared of houses and will be converted into a public park.

During the last four years the Rhode Island Development Council has urged similar types of action, calling for public acquisition of ocean-front land which is subject to tidal flooding. The Council has pointed out that if enough public land were acquired private interests would develop more intensively the area back of the shore. Developments would no longer be restricted to a narrow ribbon along the beach.

Commercial Redevelopment

When they can be protected from future floods, flood-damaged downtown areas are generally used to revitalize obsolete central business districts. In most of New England's mill cities these districts find it difficult to compete because they are dominated by small shops in older buildings without adequate parking. Stores are typically mixed in with tenements, taverns, and other buildings. Commercial redevelopment is currently being planned in North Adams, Mass., and Putnam, Danbury, Norwalk, Seymour, Naugatuck, and Torrington in Connecticut.

Parking is perhaps the key problem in commercial redevelopment. Cities usually require commercial redevelopers to provide from two to four times as much parking space as floor space. The city of Naugatuck plans to provide all-day parking on flood-prone land across the river from its industrial district. Factory workers who have been parking and driving through the downtown area will be siphoned off to the new lot, which will connect to the industrial district with a foot bridge. This will reduce congestion and free parking space for shoppers in the downtown area.

Planning consultants for the city of Torrington have recommended that owners of employee parking lots in the central business district work out an exchange with the city for slightly less convenient space in the flood-prone renewal area a few blocks away. The vacated lots could then provide fast turnover parking in the central business district.

In Putnam, Connecticut, where much land would be flooded by a repetition of the August 1955 flood, the Federal Government has prohibited rebuilding unless the area is filled in to a safe height. Faced with the economic impossibility of filling in the entire area, the planning consultants have recommended four times as much parking space as floor space and specified that only the area under the stores (and their approaches) need be elevated.

Helping small shopkeepers with limited financial resources relocate in a renewal area is always a thorny problem. But it was particularly difficult in the little town of Washington where the August 1955 flood washed away or severely damaged four centrally located buildings used for commercial and residential purposes. Shopkeepers were left with nothing but their mortgages and other debts. A group of citizens in the town devised a plan for community action by

creating a nonprofit corporation which raised most of its money from gifts and interest-free loans from public-spirited citizens and also obtained loans from banks. They encouraged local merchants to band together to buy a flood-free piece of land for a co-operative building enterprise. The nonprofit corporation then raised some $200,000 to finance the construction of low-cost housing and a small but very attractive shopping center on terms the merchants could afford to pay.

Industrial Development

Most of New England's railroads move upgrade along flat flood plains, and traditionally, industries have located next to them to obtain rail service. As flood zoning develops, spur tracks will be needed to reach higher ground where the new industrial plants will be located. But a planning study made for the Connecticut Development Commission has shown that the slopes in the Naugatuck Valley are generally too steep for spur tracks and there are very few large flood-free undeveloped industrial sites close to railroad tracks. The study recommends that local planning commissions protect these choice sites from development for other purposes.

One of the best of these potential sites in the Naugatuck Valley is located at Beacon Falls, which is now considering measures to develop and protect this prime industrial site. Similarly, the city of Waterbury is proposing an urban renewal project to clear a blighted residential area located next to a railroad track for re-use as an industrial area.

However, most of the flood redevelopment projects in New England do not provide space for industrial expansion. Renewal areas usually are too small, flood-prone, or more valuable for other purposes. Good industrial sites must be selected and preserved in other parts of each community through over-all planning and comprehensive zoning.

The Need for Over-all Planning

The flood redevelopment projects in New England and especially in Connecticut have demonstrated the usefulness of co-ordinated planning and the broadest possible consultation among all public and private groups affected by the land use patterns. For example, by co-operating with the State Highway Commission, Naugatuck has been able to use a large highway fill next to the river as a flood control dike. By working together, the Corps of Engineers and the Hartford Metropolitan District have been able to plan a multi-purpose flood control and water supply reservoir. By consulting with the Water Resources Commission, the Connecticut Highway Commission has replaced all washed-out bridges with new ones that will not impede flood waters. Community leaders, professional planning consultants, the Corps of Engineers, and the Water Resources Commission are all working together in Connecticut to *permanently* control flood devastation. The Engineers and the Water Resources Commission are building flood control structures which will greatly reduce peak flood heights. The Commission has established encroachment lines to prevent real estate development along about 60 miles of stream in the congested areas of Torrington, Waterbury, Naugatuck, Beacon Falls, Ansonia, Winsted, Norwalk, Putnam, Farmington, and Seymour. In the next few years the Commission plans to set encroachment lines on an additional 150 miles of stream in other parts of the state.

The state can do only part of the job of preventing unwise real estate development. Encroachment lines are designed to provide each stream in Connecticut with a "highway to the sea." They are not placed far enough away from waterways to control encroaching construction in areas subject to very infrequent flooding (such as the 1955 flood) or more frequent shallow flooding. For this reason planning consultants are helping communities in Connecticut prepare flood zoning ordinances for these other flood-prone areas.

Many cities and towns in New England have already passed some type of flood zoning regulation. Glastonbury, Rocky Hill, Wethersfield, and Farmington in Connecticut; North Adams, Wayland, and Marshfield in Massachusetts; Warwick and South Kingston in Rhode Island; and Keene, New Hampshire, have all passed ordinances regulating construction on land subject to tidal or river flooding. By permanently controlling flood damage, these communities are saving taxpayers the future cost of control structures. They are helping to eliminate the necessity for future land acquisition for flood control dams in upstream communities and upstream states throughout the New England region.

The period immediately following a major flood disaster is an ideal time to stir up interest in planning. Because so much rebuilding must be done and because citizens are receptive to change, it is possible to bring about flood zoning and major changes in land use on the flood plains. The 30 communities now engaged in flood planning and redevelopment in southern New England are providing excellent examples for the flood-prone cities and towns in other parts of the region and country.

Uses and Sources of

Consumer Loans in New England

More than half of all family units in the nation have outstanding nonmortgage debt, most of which would fall in the category of consumer instalment credit. The percentage of families which has used consumer instalment credit at some time past or present is probably substantially greater than 50 per cent—perhaps closer to 100 per cent, although surveys have shown that about one-third of consumers view such debt unfavorably.

Consumer instalment credit outstanding in the United States amounts to about $200 per person. This compares to about $650 per person of outstanding mortgage credit secured by homes, about $1,500 per person of liquid asset holdings, and about $2,500 per person of annual income.

Uses of Consumer Credit

Consumer instalment credit consists of short- and intermediate-term credit, used for consumption rather than business purposes, and scheduled for repayment in a number of instalments. The most important type of consumer loan, making up about 45 per cent of the total, consists of loans used for the purchase of new and used automobiles. Loans for the purchase of other consumer durables, such as refrigerators and television sets, and cash instalment loans used for a variety of purposes are next in dollar importance, each with about 25 per cent of the total. The remaining 5 per cent or so consists of loans for home repair and modernization.

The relative amount and structure of consumer loans in this region vary only slightly from that in the nation, according to estimates based on information supplied by institutions holding about half of total consumer instalment credit in New England. Consumer instalment credit outstanding in New England is about 5 per cent of the nation's total. This is slightly lower than the region's proportion of the nation's population (about 5.8 per cent), or income (about 6.5 per cent).

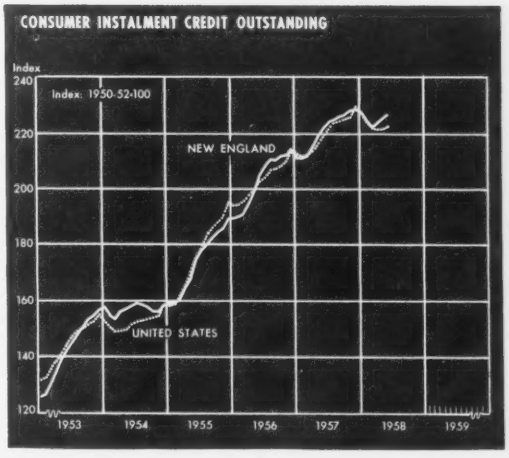
One of the reasons for this small variation is New England's slightly lower proportion of population in the younger age group, the biggest users of consumer credit. Per capita holdings of liquid assets are higher in New England than in the nation and generally the ownership of liquid assets is associated with less consumer debt. On the other hand, a higher proportion of New England's working force are nonagricultural workers, who are more likely to use consumer credit.

There are also some conflicting explanations for the differences in consumer loan uses in New England and the nation. The slightly less extensive use of consumer credit in New England is explained mainly by automobile loans, which account for about half of consumer instalment debt. Auto loans are correlated with car sales. While New England has about the same proportion of the nation's cars in operation (5.9%) as of population (5.8%), new car sales in 1957 were only 5.3 per cent of those in the nation.

Even though new car sales have been relatively lower in New England, maturities on auto sales contracts are more liberal, which tends to raise the level of outstanding credit at any given time. According to surveys, over 60 per cent of instalment paper which banks purchase from automobile dealers in New England have maturities in excess of 30 months, which is a higher proportion than in the nation. Down-payment requirements, however, average higher in New England than in the nation.

Outstanding loans for consumer durable goods other than automobiles are also relatively lower in New England than in the country as a whole. This is probably explained in large part by the lower growth rate of the region which is reflected in a relatively smaller amount of new home building. Much of the purchasing of consumer durables, such as refrigerators, stoves, and furniture, is a result of the purchase of a new home.

Repair and modernization loans are used rela-



tively about as much in New England as in the nation. The region accounts for almost 6 per cent of the nation's total.

Cash instalment loans outstanding in New England most nearly approach the national average in comparison to income or population.

Sources of Consumer Credit

Commercial banks are the largest suppliers of consumer loans, followed by sales finance companies, consumer finance (small loan) companies, and credit unions. Less important in this field among financial institutions but making some consumer loans are mutual savings banks, savings and loan associations, and industrial banks. Some consumer instalment credit is also extended by retail outlets.

Consumer lending is a business conducted for profit and the concerns engaged in it have the eternal business problem of getting a reasonable profit by obtaining sufficient revenue and holding down costs. Revenue consists mainly of interest on the consumer loans plus a small amount of service charges. Costs are made up of interest on borrowed money, operating costs, and bad debt losses.

The average amounts of income and expense from consumer loans can be obtained by looking at the income statements of two types of institutions operating in the consumer credit area—sales finance companies and small loan companies. In relation to each $100 in outstanding loans approximate income and expense items for large companies in these groups are as follows:

	Sales finance	Small loan
Income	$11-12	$29-30
Interest expense	$3	$2-3
Operating expense	$3-4	$14-15
Bad debt losses	$1-2	$1-2
Profit before taxes	$3-4	$11

High costs of small loan companies are reflected in interest rates, which run as high as 2½ per cent per month.

The illustration also reflects the effect of average loan size on costs. The average loan of small loan companies is on the order of $300-$400 while it is probably four times as large for sales finance companies which deal mainly in automobile loans. On a per loan basis, operating costs turn out to be much the same—roughly $50 (assuming two-year maturities).

Similar cost figures are not generally available for the instalment loan departments of banks. Since the interest rates they charge are around 6 per cent discount, or 12 per cent on an annual basis, their cost figures probably resemble those of sales finance companies. Banks usually make both cash loans and auto loans, so their average consumer loan size probably is between the sales finance and consumer finance company averages.

Banks generally consider consumer lending a profitable operation. The gross return of 10 to 12 per cent is about double the average for other loans and four times as much as the average on securities. Some bankers state, however, that if all costs were taken into consideration, consumer lending would be less profitable, in some cases at least, than the other operations of banks.

Available data on the profitability of commercial bank instalment loan departments are inconclusive. According to a Federal Reserve study, member banks in the nation with a higher-than-average proportion of consumer instalment loans in 1955 were somewhat more profitable than the average bank. But 1957 data for small banks in New England show opposite conclusions. Banks with the heaviest holdings of instalment debt were less profitable than the average.

The explanation evidently lies in the higher level of general interest rates in 1957 than in 1955. Consumer loan rates remain relatively stable over the business cycle, and their earnings will rise less than other assets when interest rates in general are high. This stability of income is considered an advantage of consumer loans.

Rates on consumer loans are generally lower than the national average at most New England banks, especially at those in the larger metropolitan centers. As a result, nationwide concerns, especially sales finance companies, tend to find competition a little more intense in the region than elsewhere.

Nationwide small loan companies have found New England a favorable area for their business. This is partly because of population concentration, but it is also caused by the attitude of commercial banks, which have not been aggressive in this phase of the business. Recently, however, New England banks have become more interested in making small personal loans. They have instituted revolving credit plans and used other means to attract customers.

Consumers, for their part, have had the impression that banks are not very willing to engage in this type of lending. Many of them prefer the relative privacy of a small office, dealing in one type of loan, and believe the bank is more likely to turn them down because of risk. These factors have enabled competing institutions to increase their lending in recent years, even though bank rates are substantially lower.

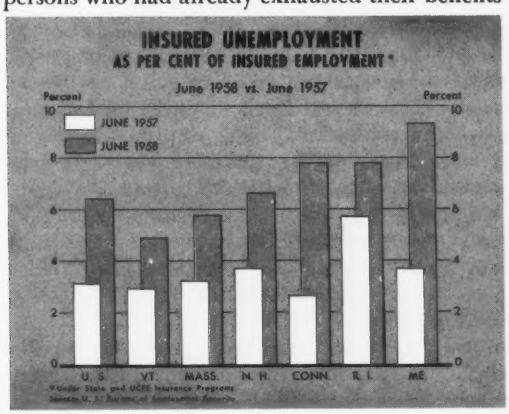
Slight Ease in Unemployment

At mid-1958 some improvement in both employment and unemployment was evident in New England and the nation. The number of persons at work nationally rose in both June and July. Unemployment also rose in June as new job seekers, many of whom were entering the labor force for the first time, more than offset the number of persons finding work. In July unemployment declined but not by as much as usual for that time of year. For the third straight month, however, the seasonally adjusted rate of national unemployment was under the recession peak reached in April.

In New England nonfarm employment increased in June to 3,483,000, with gains in both manufacturing and nonmanufacturing. The manufacturing industries experienced their first month-to-month gain since September 1957. Factory employment declined as usual between June and July, but the job loss this year was less than in either 1956 or 1957. As a result, the seasonal decrease in nonfarm employment was smaller than in most recent years.

Part of the recent improvement in the job situation has been seasonal in nature. Employment in each month of the first half of 1958 was under the year-ago level. In May, June, and July the year-to-year job loss was less than in April when employment in the region was at the lowest level since February 1955.

The decline in job opportunities resulted in a sharp increase in unemployment in New England in late 1957 and the early months of 1958. The number of persons collecting unemployment insurance benefits reached a peak in April, then gradually declined during May and June. There was some swelling of rolls again in early July as many plants shut down for vacations and persons who had already exhausted their benefits again became eligible under temporary unemployment compensation programs. But, by late July the downtrend was re-established.



Some of the New England states have extended additional benefits to workers who had already exhausted their insurance rights under regular programs. In some cases, as in Connecticut, the extension was granted within the framework of the state's own program. In Massachusetts and Rhode Island the additional benefits have been granted as a result of state participation in the Federal Temporary Unemployment Compensation program. In early August, of the 216,610 New Englanders drawing jobless benefits under the various programs, over 50,000 were persons covered by the temporary extension.

Unemployment in each of the New England states has decreased since early spring but is substantially higher than a year ago. The accompanying chart contrasts recent rates of insured unemployment with the comparable month of last year. States with a heavy concentration of durable-goods industries have been especially hard pressed.

The deteriorating employment situation in the early months of the year resulted in a further easing of labor supply requirements in all of the region's major labor market areas. No areas experienced any general shortage of workers. Even the need for workers in occupations long in great demand was sharply reduced.

In July, only the Hartford, Stamford-Norwalk, Boston, and Manchester (N. H.) areas were not classified as having a substantial labor surplus by the U. S. Department of Labor. The remaining 13 of the region's 17 major areas were considered to have substantial labor surpluses with unemployment rates of 6 per cent or over. In five of these areas over 12 per cent of the labor force was unemployed. A year earlier only four predominantly textile areas – Lawrence, Lowell Fall River, and Providence–had a substantial surplus of labor. This year a broader array of industries is represented in the listing of labor surplus areas with the addition of areas in which aircraft, metal products, and machinery production predominate.

While the level of economic activity in the region is below last year's level, unemployment has passed its seasonal peak. Already some industries have lengthened hours of work, and anticipated seasonal expansion in others should bring about a gradual reduction in unemployment over the next several months.

Broilers: A New England Growth Industry

New England's rapidly growing broiler industry produced about one out of every 14 broilers grown in the United States last year. Gross income to the raisers amounted to $74 million.

Growth in broiler production has been accompanied by increased production of hatching eggs and broiler chicks, with New England growers furnishing a large share of the replacement stock for this region and the Delmarva area (Delaware, Maryland, Virginia). They have also supplied much of the foundation breeding stock for the growing southern broiler industry.

Almost one-half of the 103 million broilers produced in New England last year came from Maine and one-fourth from Connecticut. In 1940, before the beginning of the industry's war-inspired growth, the region produced only 9.3 million broilers.

Maine ranked 10th in the nation in broiler production in 1957, the first year it made the list of the top ten. Connecticut ranked 14th.

National production of broilers has increased over 10 times from 143 million broilers in 1940 to almost 1.5 billion in 1957. Production in New England has grown slightly more rapidly than the United States, increasing over 11 times in the same period.

Major broiler production areas have developed, largely during and since World War II, in the South Atlantic and South Central States. Georgia is now the leading broiler production state followed by Arkansas, North Carolina, Alabama, and Texas.

A Research-Born Industry

The history of specialized poultry meat production begins with a series of research findings which laid the groundwork for the industry's growth. Much of this research was conducted in New England, providing a stimulant to the regional growth of the industry. First came the incubator, which made possible commercial hatching of large numbers of baby chicks. Discovery of the importance of Vitamin A and D in the poultry diet made it possible to raise birds in confinement on a year-round basis. Other developments included the breeding of specialized meat strains and breeds, such as the New Hampshires, and the control of various poultry diseases like pullorum.

All of these discoveries had been made by the early 30's. By this time New England had developed as a leading production area for market eggs and hatching eggs, both for layer replacements and for the infant "winter" broiler industry. Production of these off season broilers centered largely in Connecticut, New Hampshire, and Massachusetts. The volume was small by today's standards but acquiring the know-how was important.

Connecticut was the first New England state to develop a large, commercial broiler enterprise. By 1949, the eastern Connecticut industry, which was largely financed by the individual growers, formed the seventh largest broiler production area in the United States.

Maine did not really start to grow as a major production area until the mid-1940's. Unlike Connecticut, Maine production was from the beginning largely integrated by the dressing-plant operators.

The industry in Maine has grown on this basis with the dressing-plant operators and feed dealers serving as contractors or integrators for the production of well over 90 per cent of the broilers produced in the state. Typically, the growers supply only the buildings and their own labor. The dressing-plant operator or feed dealer supplies the feed and other production needs, the necessary supervision, and makes the decisions as to when birds will be started and when they will be marketed.

Maine is one of the most rapidly growing broiler areas in the United States with production of over 50 million broilers in 1957. This is over twice the number produced in 1950. Maine currently supplies nearly 39 per cent of the needs of the Boston market and about one-fourth of all the broilers shipped into New York City. It is the largest single supplier for both of these big metropolitan markets.

Maine, Connecticut, Massachusetts, and New Hampshire are all major producers of hatching eggs and baby chicks. From the 1920's to the early 1950's, New England was the major source of hatching eggs and breeding stock for broiler production. New England still has a preeminent position supplying its own needs and a large share of the needs of the Delmarva production area, in addition to shipping foundation breeding stock all over the world. Currently, about one egg out of every five produced in New England goes for hatching purposes—mostly for broiler chicks and foundation breeding stock.

It is logical to raise the question as to the importance of the broiler industry to the New England economy and the potential for further

growth, both in established areas and in new areas. At the outset it must be recognized that broiler production accounts for only about 10 per cent of New England's total agricultural income. Nonetheless, it is a highly important part of the economy in the areas where it is concentrated—notably Maine and Connecticut.

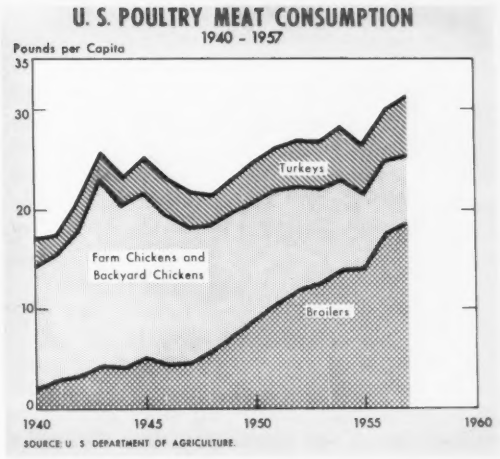
Perhaps most important is the fact that, in the newer areas such as Maine, broiler raising and processing furnish employment in sections where it is very difficult to establish other types of industries. There may be several reasons why industry does not flourish in these areas, including lack of transportation, distance from markets for industrial products, or a shortage of skilled industrial workers. Typically these areas have relatively large numbers of underemployed workers, many of whom formerly earned a living from farming. Frequently, their farms are no longer economic units and hence are not returning a living wage. In other cases the farm is a potentially sound unit but the owner lacks adequate capital to develop an efficient operation.

Broiler raising can frequently furnish substantial income on these farms, either as the main source of income or as a sideline to the existing farm enterprise. If other types of farming, such as dairying, are no longer practical, the farmer can often renovate and remodel the farm buildings for broiler production. In this way, he can continue to live on the farm and earn a satisfactory living. By raising on a contract basis he can concentrate his available capital in building and equipment investments and let the contractor furnish operating capital.

Information from a recent study at the University of Maine gives some indication of the number employed in raising broilers and broiler replacement stock. It estimates that there are about 1,260 broiler growers in Maine and about 490 broiler hatching egg flocks. Total employment in raising broilers and producing hatching eggs for broilers probably exceeds 2,200.

But this is far from the whole story. In addition to the above there are another 1,740 Maine workers employed by the broiler processing plants and the hatcheries. No precise estimates are available for the workers employed in supplying feed to these broiler and hatching egg growers, but the above information indicates that the 2,200 broiler and hatching egg growers probably furnish employment to at least an equal number in the closely allied industries.

Since Maine has about one-half of the region's broiler industry, it is probable that there are, in New England, roughly, 4,500 persons employed in raising broilers and broiler hatching eggs, and another 4,500 employed in the feed mills, hatcheries, and processing plants.



Potential for Further Growth

Will New England's production of broilers continue to grow? Is the market for broiler meat saturated, or can it expand further? No precise answers can be given, but certain trends point to continued growth of both broiler production and hatching eggs.

The fears expressed that consumption would lag after World War II, when red meat became available in large quantities, have not been realized. Per capita consumption of chicken meat has continued to move upward from 18.7 pounds in 1950 to 25.6 pounds in 1957. Further strength comes from the fact that broilers now make up over two-thirds of the chicken meat consumed compared with 42 per cent in 1950 and only 14 per cent in 1940.

Demand is expected to remain strong because poultry meat will probably continue to be a good buy for some time to come by comparison with the competing red meats. This is true because adoption of new technology has been very rapid in broiler raising—perhaps more so than in any other line of livestock agriculture.

In 1940, for instance, 100 pounds of feed produced only 24.3 pounds of broilers. By 1956 it had increased one-third to 36.5 pounds of broilers for every 100 pounds of feed. Many commercial growers now produce 40 pounds of broilers for every 100 of feed. This two-thirds increase in efficiency is due to better feed, better birds, and better management – all of which college and feed company researchers and the extension workers at the state agricultural colleges helped to develop and promote.

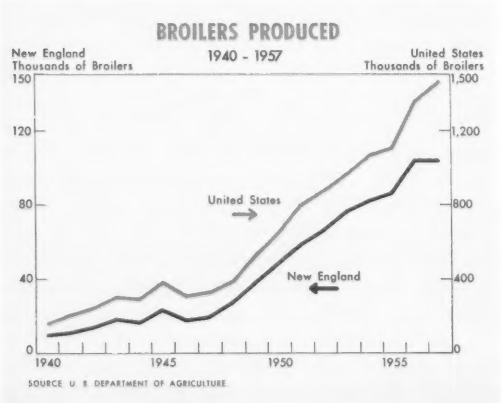
Rapid application of new technology has been assured by the integrators who have supplied both management supervision and capital.

At some point the American consumer will rebel at adding more poultry meat to his diet. The available information indicates that this point has probably not yet been reached. Per capita poultry meat consumption is still less than 26 pounds against 151 pounds for all red meat. In addition, a growing population will provide room for some further expansion.

What are the possibilities of an expansion in broiler production in New England—both in the existing areas and in new production areas? The encouraging thing to note is that, in spite of the tremendous growth of broiler production in the South, the older areas like Delmarva and New England have also continued to expand their production. This has been possible because demand has continued to grow as per capita consumption has climbed steadily along with an expanding population. It is natural to wonder why the grain producing areas in the Midwest have not developed into major broiler producing areas. The reasons are many but it is primarily because of better alternative opportunities in hog and beef production.

As to further expansion in New England, experience indicates that several basic factors must be present. Included among these are a substantial pool of underemployed workers who have a desire to continue to live in the area, often on their present farms which may be small and submarginal. The unused buildings often provide the initial broiler housing at a relatively low investment.

Another desirable factor is a nearby supply of poultry breeding farms and hatcheries to furnish hatching eggs and breeding stock. Nearby dressing plants are a necessity because it is no longer feasible to transport live birds long distances to market.



Finally, either the hatcheries, the feed suppliers or the dressing-plant operators, or some combination of all three must be convinced that a substantial investment in developing contract-supply flocks in the area is practical and will result in a considerable number of growers going into broiler production in a relatively short period of time. Without this quick acceptance by growers, the service industries are forced to limp along with spotty supplies of birds for the dressing plants, uncertain and small markets for the baby chick output of the hatcheries, and small volume sales for the feed mills. All of these lead to inefficiencies and high production costs—neither of which can long be tolerated in an industry where integration tends to keep market channels well saturated and profit margins narrow.

It is true that some of the above conditions were not met by the early broiler production areas such as Delmarva and Connecticut. But it must be remembered that these areas were developed when profits from broilers were considerably greater than at present and when competition from other areas was far less severe.

The entry of the South Atlantic and South Central States into the production picture has changed all that. They started and developed rapidly because they had a tremendous reservoir of underemployed farms and farm workers and potentially lower production costs, particularly in the case of housing and brooding. The established production areas in New England have already demonstrated that they can compete for Northeastern markets, primarily because of long experience, the fact that production units are large and efficient, and nearness to the markets. New areas in New England would not have these first two advantages.

New England hatching egg producers likewise face stern competition. The South is becoming largely self-sufficient in the production of hatching eggs for broiler chicks. But with broiler production still making steady gains in the Northeastern United States, it appears that this region can probably expect some slow expansion in hatching egg and baby chick production.

In summary then it appears that the potential exists for continued expansion of broiler production in the United States. Barring unforeseen demands such as from war-created shortages, it seems likely that expansion of production will take place in or near the already established areas, such as Maine and Connecticut, the Delmarva region, and the South.

New Plan for Small Business Financing

For 10 years Congress has debated capital banks for small business. In July this year it acted. The result was the Small Business Investment Act, designed to open up a flow of equity funds and long-term loans to small firms.

The plan is to offer government money to encourage private institutions which will in turn finance small business. Federal money will take the form of loans to state and local development credit corporations and to new small business investment companies formed under the bill. The Small Business Administration, which Congress made permanent this year, will be in charge of the program.

Congress authorized a revolving fund of $250 million to finance the new program, with a limit of $50 million in the first year.

The new law is particularly important to New England, which has a statewide development credit corporation in every state and more than 100 local development corporations. Few states outside New England have statewide corporations, but they can still form them and take advantage of the new program.

Development corporations borrow money from financial institutions which become members and pledge lines of credit. Under the new law the corporation can get as much money through unsecured loans from the SBA as from other sources. Unsecured loans are available only to statewide corporations. Both state and local corporations are eligible for secured loans, with no legal limit to any one corporation. Secured loans are for site acquisition and plant construction for an "identifiable small business." The SBA fixes loan terms and determines the extent of participation required by the development corporation.

The new plan is not as easy as it sounds for the development corporations. The biggest single obstacle is the corporations' debt-to-equity ratios. The Massachusetts corporation, for instance, has a statutory limit of 8-to-1 debt to equity, and its ratio now is more than 5-to-1. It could borrow less than half of the $4.3 million potentially available to it from the government and still remain within the statutory ratio, providing it did not sell additional stock or retire existing debt. Although the other corporations do not have statutory limits, all except Connecticut have ratios of less than 10-to-1.

Secured government loans offer the corporations government funds outside the debt-to-equity ratio. The only funds of the corporation involved would be the amount by which it actually participates in the loan. A small amount of development corporation money would make possible a much larger loan.

Two New England corporations, Massachusetts and Maine, face an added obstacle to government borrowing. Their charters permit borrowing only from member financial institutions. These corporations would have to return to their state legislatures for authority to borrow from the SBA.

Investment Companies

The bill sets up a system of small business investment companies. It will take a minimum of $150,000 private capital, furnished by 10 or more persons, to set up a company. The SBA will provide an additional $150,000 of equity capital through the purchase of subordinated debentures. Congress also enacted tax advantages for the companies.

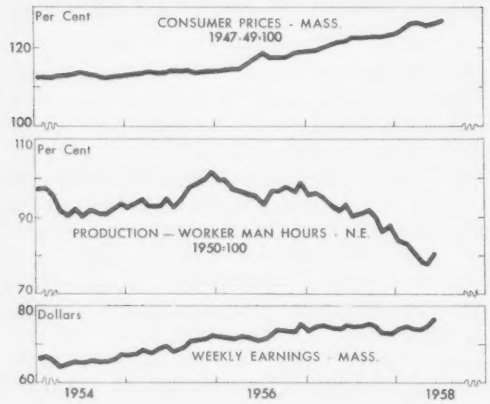
The investment company can borrow an amount up to one-half of its capital from the SBA. With SBA subordinated debentures classified as equity, a company could go into business with $150,000, borrow $150,000 from the SBA on subordinated debentures, and then borrow an additional $150,000 as an ordinary loan. If more private capital is put in, then government borrowing power is increased.

The company can also borrow from other sources. National banks are authorized to participate by both loans and the purchase of stock, up to 1 per cent of the bank's capital and surplus.

The investment companies will provide equity capital by purchasing convertible debentures from small businesses at terms set by SBA regulations. The firm receiving aid through debentures will be required to purchase stock in the investment company at a minimum of 3 to 5 per cent of the amount of the loan, the exact amount to be determined by the SBA. In this way the companies eventually become mutual institutions.

The investment company will also make long-term loans to small business under these conditions: (1) the SBA will set the maximum interest rate, (2) the maximum maturity is 20 years, with one possible 10-year extension, and (3) a company can lend no more than 20 per cent of its capital and surplus to any one business. The SBA, which has not yet determined the rates, is limited to 5½ per cent on loans it makes directly to small business.

PRICES, MAN-HOURS, AND EARNINGS



EMPLOYMENT-UNEMPLOYMENT

MANUFACTURING INDEXES (seasonally adjusted)	MASSACHUSETTS (1950–52 = 100)			NEW ENGLAND (1950–52 = 100)			UNITED STATES (1947–49 = 100)		
		Per Cent Change from:			Per Cent Change from:				
	July '58	June '58**	July '57	July '58	June '58**	July '57	July '58	June '58	July '57
All Manufacturing	104	+ 2	− 9	104	0	−10	136	134	147
Primary Metals	86	− 3	−17	76	− 3	−22	104	103	134
Textiles	48	+ 2	− 6	67	+ 2	− 3	n.a.	95	101
Shoes and Leather	101	+ 1	− 9	103	+ 2	− 6	n.a.	n.a.	105
Paper	99	+ 2	− 7	115	− 1	− 3	n.a.	158	156

	NEW ENGLAND			UNITED STATES		
		Per Cent Change from:			Per Cent Change from:	
	July '58	June '58	July '57	July '58	June '58	July '57
BANKING AND CREDIT						
Commercial Loans ($ millions) (Weekly Reporting Member Banks)	1,457	− 1	− 8	29,403	− 1	− 7
Deposits ($ millions) (Weekly Reporting Member Banks)	4,459	+ 1	+ 4	101,670	0	+ 8
Check Payments ($ millions) (Selected Cities)	8,079	0	+ 1	206,521	− 6	+ 3
Consumer Installment Credit Outstanding (index, 1950–52 = 100)	230	+ 2	+ 3	223	0	0
TRADE						
Department Store Sales (index, seas. adj. 1947–49 = 100)	130	+13	+ 4	140	+ 5	+ 1
Department Store Stocks (index seas. adj. 1947–49 = 100)	140	+ 4	+ 1	148	0	− 5
EMPLOYMENT, PRICES, MAN-HOURS, & EARNINGS						
Nonagricultural Employment (thousands)	3,466	0	− 4	50,199	0	− 4
Insured Unemployment (thousands) (excl. R. R. and Veterans programs)	119	− 5	+76	2,629	− 4	+98
Consumer Prices (index, 1947–49 = 100)	126.3 (Mass.)	0	+ 3	123.9	0	+ 3
Production-Worker Man-Hours (index, 1950 = 100)	78.3	− 3	−13	89.2	0	−12
Weekly Earnings in Manufacturing ($)	76.44 (Mass.)	0	+ 3	83.50	0	+ 1
OTHER INDICATORS						
Construction Contract Awards (3-mos. moving averages, May, June, July)						
Total	189,293	+ 8	+ 4	3,609,738	+ 7	+14
Residential	70,511	+14	− 4	1,422,615	+ 8	+15
Public Works	46,887	− 1	+36	770,492	+ 8	+26
Electrical Energy Production (index, seas. adj. 1947–49 = 100)*	191.9	+ 5	+ 2	235.1	+ 7	+ 1
Business Failures (number)	55	−15	− 2	1,253	− 1	+18
New Business Incorporations (number)	706	− 5	− 9	12,454	+ 4	+ 7

*Figure for last week of month
**June indices have been revised
n.a. = not available